

**TESTIMONY PRESENTED TO THE HUMAN SERVICES COMMITTEE
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Testimony Opposing House Bill No. 6465

AN ACT CONCERNING PURCHASE OF SERVICE CONTRACTS

Senator Moore, Representative Abercrombie and distinguished members of the Human Services Committee, thank you for the opportunity to offer testimony on House Bill No. 6465, An Act Concerning Purchase of Service Contracts.

This bill seeks to amend Section 4-70b of the general statutes to ensure that state purchase of service contracts and Medicaid fee for service contracts reflect the actual cost of services, including by reviewing such rates to reflect increases in the consumer price index or inflation. The bill would also create an appeals process for providers if rates do not reflect the actual costs of services.

The health and human services procured by State agencies vary greatly in the clients and populations served, the programmatic approach utilized and the method prescribed in determining the costs of meeting these service needs. We are concerned that this bill—by seeking to apply its provisions system-wide--does not adequately recognize these wide variations. In addition, the goals of the bill may be better served, in many cases, by the systems already in place.

For budget-based (i.e. not fee-for-service) programs procured by the State, state agencies and providers negotiate--and resolve differences regarding--the salaries, staffing levels and other budgetary needs for a particular service. All of the factors outlined in the proposed bill, including changes in costs of goods and services and geographic costs differences, are considered as part of these negotiations. In our view, negotiations are a more appropriate and effective means of resolving differences regarding and determining the use of State funds than would be an appeals process.

There are also a number of fee-for-service rate setting systems used across state government to determine the amount of payments or reimbursements for services; each based on the nature or type of service being purchased. These rate setting systems often involve individual federal and state statutes, regulations or requirements that would have to be examined and amended prior to making any adjustments that may be deemed necessary.

In regard to automatically adjusting rates based on inflation, this would not, unlike negotiations, reflect differences in terms of provider cost effectiveness or service needs or priorities. As a result, any such mandated increases would likely result in reductions to the level of services provided.

It is my understanding that this proposal is similar to legislation that passed in Massachusetts that changed the way in which social services were paid for and procured by the state. While there is not any additional funding anticipated in the upcoming biennium to support the increases that would result from adopting that sort of payment system, I am interested in learning more about how this change has been implemented in Massachusetts and whether such changes would be feasible or advisable in our state.

I respectfully request that the committee take no action on this bill. I would like to again thank the committee for the opportunity to submit this testimony.